

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:421

ANSWERED ON:16.12.2016

Payment Banks

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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has granted in principle approval for setting up of Small Finance Banks and Payment Banks in the recent past and if so, the details thereof;
- (b) whether any entity which has been awarded the licence launched its bank so far;
- (c) the time frame by which the said banks are likely to be opened by successful entities;
- (d) whether Reserve Bank of India/Government has prescribed any guidelines in this regard, if so, the details thereof; and
- (e) the manner in which the guidelines are likely to be enforced?

Answer

THE FINANCE MINISTER

(a) to (e): A Statement is laid on the Table of the House.

STATEMENT FOR LOK SABHA STARRED QUESTION NO.*421 FOR 16TH DECEMBER, 2016 REGARDING "PAYMENT BANKS" TABLED BY KUNWAR HARIBANSH SINGH AND SHRI SUDHEER GUPTA, MEMBERS OF PARLIAMENT.

(a) to (e): Reserve Bank of India (RBI) issued guidelines for licensing of small finance banks and payments banks on November 27, 2014 and granted in-principle approvals to 10 applicants to set up small finance banks and to 11 applicants to set up payments banks. The applicants are to comply the requisite conditions laid down in the in-principle approval letters, after satisfying which RBI would grant them banking licences. The in-principle approval for payments banks would expire in March 2017, and for small finance banks would expire in April 2017.

One payments bank applicant has been granted banking licence and has subsequently commenced operations as Airtel Payments Bank Limited. Six entities have been issued banking licence to commence small finance bank business so far (i) Capital Local Area Bank Ltd., Jalandhar (ii) Equitas Holding P Ltd., Chennai (iii) ESAF Microfinance and Investments Private Limited, Chennai (iv) Suryoday Micro Finance Private Limited, Navi Mumbai (v) Ujjivan Financial Services Private Limited, Bengaluru and (vi) Utkarsh Micro Finance Private Limited, Varanasi. Of these, two small finance banks as Capital Small Finance Bank Limited and Equitas Small Finance Bank Limited, have commenced operations.

The guidelines for small finance banks provide inter-alia that (i) eligible promoters could be resident individuals/professionals with 10 years of banking and finance experience including companies controlled by them etc. (ii) shall primarily undertake basic banking activities of acceptance of deposits and lending to unserved and underserved sections (iii) The minimum paid-up equity capital for small finance banks shall be Rs. 100 crore and (iv) all prudential norms and regulations of RBI as applicable to existing commercial banks including requirement of maintenance of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR).

The guidelines for payment banks provide inter-alia that (i) eligible promoters can be non-bank Pre-paid Payment Instrument (PPI) issuers; and other entities like mobile telephone companies etc. (ii) shall primarily accept demand deposits upto maximum balance of Rs. 1,00,000 per individual customer. (iii) Issue ATM/debit cards, payments and remittance services. (iv) maintain CRR with the Reserve Bank on its outside demand and time liabilities and invest at least 75 per cent of its "demand deposit balances" in SLR eligible Government securities/treasury bills.

Small finance and payment banks will be licensed under Section 22 (1) of the Banking Regulation Act, 1949 and consequently all regulatory and supervisory frameworks that are applicable to commercial banks have also been made applicable to these banks with suitable calibrations in view of the differentiated scope of such banks.
